Questions for the Record for Ambassador Robert E. Lighthizer
U.S. House Ways and Means Committee
Hearing on U.S.-China Trade
February 27, 2019

From Representative Kenny Marchant to Ambassador Robert E. Lighthizer

1. I represent a small company called New York Air Brake. They manufacture train brakes and other train related technologies. They are currently facing an uphill battle against their single US competitor because they chose to keep their manufacturing in the US whereas their competitor chose to manufacture in Mexico. Due to the tariffs on Chinese aluminum, New York Air Brake is paying an additional 10 percent on their imported aluminum and they believe their competitor pays no tariffs as they manufacture in Mexico. New York Air Brake anticipates paying an additional $6.3 million in tariffs – which obviously provides their competitor with an advantage in this low margin market.

   Mr. Lighthizer, would you be willing to have your staff sit down with representatives from New York Air Brake?

   Answer: Our staff has received submissions from New York Air Brake and is working with the company consistent with the legal process set out in the relevant Federal Register notices.

2. There have been increasingly represented concerns presented to me about the cost of the tariffs on imported Chinese goods, many of which are used in residential construction. My home builders tell me there are around 600 products on list 3 commonly used in home building. The National Association of Home Builders has said these products are so common that the 10% tariff in place represents a $1 billion tax of residential construction.

   Can you shed some light on what the goals of a US-China deal would do to lower the cost of construction and home price for my constituents?

   Answer: As I noted at the hearing, we start with the proposition that there are serious problems in the China relationship that, left unaddressed, will result in long-term costs for U.S. growth, job quality, and technological leadership. We are seeking an agreement that will bring structural changes to Chinese policy and address these longterm challenges. If successful, this in turn would help ensure that American industries are able to invest in R&D, remain the world's leaders, and build national wealth in coming years. That in turn will mean a more affluent society with a higher demand for residential homes, office buildings, and other construction. The imposition of tariffs certainly has a cost, but we believe it is essential to our success with China.

3. When China joined the World Trade Organization in 2002, the Chinese government agreed to several market-based principles and commitments, including allowing foreign computer reservation systems (now GDSs) to have "direct access" to agents of foreign airlines, subject to approval of the Civil Aviation Administration of China (CAAC). Despite these commitments, GDSs based outside of China still – 17 years later – do not have unrestricted access to participate in the Chinese travel market – either for booking intra-China travel, or for booking travel by Chinese nationals to foreign destinations.

   This is due in part to the China's cumbersome nature of the existing foreign GDS regulations, which require a foreign airline to apply to the CAAC on behalf of each agent to which the GDS seeks to provide services. Access is also being suppressed due to retaliatory actions taken by the state-owned incumbent, TravelSky, against Chinese agents that choose to do business with foreign GDSs. This makes China the only major market in the world that does not permit access by any GDS that wants to serve the market. The actions by China and Travelsky have been highlighted in several of the United States Trade Representative Reports to Congress on China's WTO Compliance, the latest report from January of 2018.

   Were the U.S. and other foreign GDSs allowed to operate within China's borders and compete with each other and with TravelSky, the Chinese airlines and traveling public would benefit immensely from better travel search and other advanced travel technology that these GDSs offer in the global travel marketplace. The U.S.-based GDSs would also benefit from access to one of the largest travel markets in the world. One result of this win-win development would be to bring more Chinese visitors to the United States, which will have an enormous and positive impact on our nation's economy including the creation of U.S. jobs.

   Will you commit to working on this issue and making it a top priority for your office as you continue to negotiate a final outcome with the Chinese?

   Answer: U.S. global distribution services (GDS) suppliers have not been able to operate on a level playing field in China due to many of the factors cited in your question for the record. It is an Administration priority to ensure that U.S. GDS suppliers can operate on a level playing field in China, as they do in other foreign markets. We look forward to staying in touch with Members of Congress on this issue.